



Testimony on Senate Bills 61-62
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Good afternoon Mr. Chairman and Members of the committee. My name is David Jessup. I am Director of Government Relations for the Small Business Association Michigan, representing nearly 19,000 small business men and women statewide.

It's a pleasure for me to speak to you today on these important bills as they relate to healthcare cost containment. Our members continually rank the high cost of health insurance as one of their top concerns in terms of growing their business and remaining competitive for top talent. SBAM was supportive of these measures in the previous Legislature and remain so today, as they seek to level the playing field for BCBSM, commercial insurers and HMO's while streamlining the outdated insurance regulatory structure in Michigan.

For more than 30 years, Blue Cross Blue Shield has been required to follow a separate set of rules from those of their competitors. These rules have not only resulted in additional red tape, but also unfairly slap a \$200 million a year tax on small businesses, used to subsidize other lines of insurance, namely the Medigap program. This cumbersome and unfair system has burdened small businesses that struggle to afford health coverage to their employees.

The \$200 million a year used to subsidize the Medigap product represents one percent of the total dollars that flow in and out of BCBS. However, with a large self-insured population it only collects about \$6.5 billion in premiums from the small group and individual lines of coverage. That is, the ERISA preemption prevents Blue Cross from collecting the one percent subsidy on the large self-insured companies. Therefore, to garner the \$200 million needed to fund the program represents a full three percent of rates paid by small group and individual premiums, placing the burden squarely on the shoulders of small business job providers.

Make no mistake, every dollar used to support the Medigap program or any other subsidy represents a dollar increase on premiums paid by individuals and small business owners struggling to provide insurance for their employees.

That said, we applaud efforts in the previous Legislature to help offset some of these costs through the newly created Foundation. Because of the significant impact of this proposal on Michigan business, local families and the overall economy, we urge you to approve the health insurance reforms that received wide bipartisan support last year and to resist any effort to expand subsidization for other insurance products. With Michigan's health care exchange scheduled to be fully operational on January 1, 2014, quick action to modernize Michigan's health insurance system is critical.